

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 NEA-10 ISO-00 IO-13 H-01 L-03 PA-01
SP-02 ICA-11 AID-05 EB-08 NSC-05 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /117 W
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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8345
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
AMEMBASSY PORT MORESBY
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE
AMEMBASSY WELLINGTON

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KARACHI 3558 ACTION ISLAMABAD INFO LAHORE 25 JUL 78 REPEATED:

QUOTE
KARACHI 3558

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E.O. 11652: N/A
TAGS: BEXP, ETRD
SUBJ: US PROCUREMENT FROM ASIAN DEVELOPMENT BANK (ADB)

REF: STATE 155300

FOLLOWING IS KARACHI CONTRIBUTION TO REFTEL:

A. LACK OF INTEREST -

WE BELIEVE THE MAIN REASON SO LITTLE -- ADMITTEDLY WE DO NOT KNOW HOW MUCH -- HAS BEEN PROCURED FROM US SOURCES THROUGH ADB LOANS TO PAKISTAN IS LACK OF INTEREST ON THE PART OF AMERICAN FIRMS. WE JUDGE THIS FROM OUR MONITORING RESPONSES TO TOPS AND OUR OBSERVATION THAT OVER THE PAST THREE YEARS THE NUMBER OF VISITING US REPRESENTATIVES INTERESTED IN SUCH PROJECTS HAS SHOWN A MARKED DECLINE. THIS FACTOR OF LACK OF INTEREST IS CONFIRMED TO US BY LOCAL AGENTS OF US FIRMS AND BY THOSE IN THE PROCUREMENT PROCESS (FOR EXAMPLE, THE CHIEF LOAN OFFICER OF THE IDBP, CHIEF ENGINEER OF THE KPT, ETC. THERE ARE NO US REPRESENTATIVES OF US FIRMS WHO WOULD BE INTERESTED IN ADB PROJECTS BASED IN KARACHI.). ON THE OTHER HAND, WESTERN EUROPEAN AND JAPANESE FIRMS ARE CONSIDERED EAGER BEAVERS.

B. NON-COMPETITIVE PRICES -

OF THE EXAMPLES OF CASES WE KNOW ABOUT IN WHICH US FIRMS DID SUBMIT BIDS, THEIR PRICES WERE NOT COMPETITIVE. FOR EXAMPLE, THE PAKISTAN MINERAL DEVELOPMENT CORPORATION ON APRIL 29, 1978 INVITED TENDERS FOR ELECTRIC GENERATING SETS. IT RECEIVED 62 TENDERS OF WHICH ONLY TWO WERE FROM AMERICAN FIRMS. THE LOWEST AMERICAN TENDER WAS THE FIFTH LOWEST AND FIFTY PERCENT HIGHER THAN THE WINNING WEST GERMAN BID.

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C. RELUCTANCE TO FOLLOW TENDER REQUIREMENTS AND SPECIFICATIONS -

WE KNOW OF SEVERAL CASES WHERE AMERICAN FIRMS COULD NOT BE CONSIDERED FOR PREQUALIFICATION SINCE THEY DID NOT PROVIDE THE INFORMATION REQUIRED, AND OTHER CASES WHERE THE AMERICAN FIRMS DID NOT COMPLY WITH REQUIREMENTS; E.G., FILING PERFORMANCE BONDS.

D. LACK OF MANEUVERABILITY AND FLEXIBILITY IN PRICE NEGOTIATIONS

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WE ARE TOLD THAT WESTERN EUROPEAN AND JAPANESE FIRMS ARE QUITE MANEUVERABLE AND FLEXIBLE IN THEIR PRICE NEGOTIATIONS -- IN SHORT, READ "KICKBACKS". WE ARE TOLD REPEATEDLY THAT THEY PLAY A VERY IMPORTANT ROLE.

E. RECOMMENDATIONS -

WE ENDORSE ALL THE RECOMMENDATIONS CONSIDERED IN THE REFERENCED TELEGRAM AND PARTICULARLY THE FOLLOWING: PARA 5 (C), PARA 5 (E), PARA 5 (G). WE BELIEVE THE SUGGESTED PROCUREMENT OF A RECORD OF ADB TENDERS -- PARA 7 -- LISTING TENDERERS, QUOTATIONS,

AND CAUSE OF REJECTION OF BIDS ON GROUNDS OTHER THAN PRICE WOULD
PROVIDE A MOST USEFUL WORKING TOOL.

F. INCIDENTAL NOTE -

WE CALCULATE THAT OUT OF THE \$434 MILLION ADB LOANS GRANTED TO
PAKISTAN, \$92 MILLION HAS GONE TO THE VARIOUS LENDING
INSTITUTIONS; I.E. PICIC, IDBF, AND NDFC. DESPITE REPEATED
EFFORTS ON OUR PART, WE HAVE BEEN UNABLE TO LEARN WHICH FIRMS
WILL RECEIVE THE LOANS UNTIL IT IS TOO LATE. MOORE UNQTE HUMMEL

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